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JANUARY 1990

MORTGAGE BANKING

THE MAGAZINE
OF REAL ESTATE
FINANCE



ECONOMIC OUTLOOK

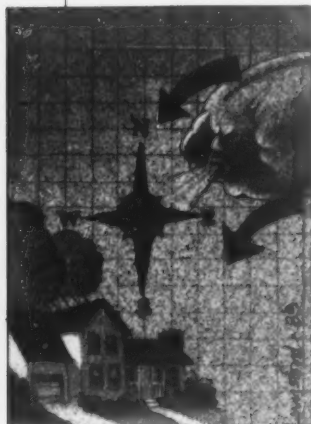
1989

1990

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**COVER:
Economic
Forecast**



The old North wind has been blowing some serious cold air on the Northeast and real estate markets there have caught a chill. The stock market got a shiver up its spine when it realized that property prices in the sunshine state and elsewhere may have ended their relentless climb upward. But the outlook is not all bad—you just have to know how to dress for it. In this issue we explore the forecast for housing in 1990.

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PORTFOLIO

Real Estate Shivers

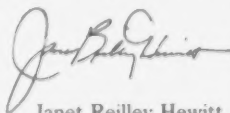
It was hard not to notice and cringe a little when the Dow took a major 42-point nosedive in December on some bad news about declining real estate values. But most people in the real estate lending business knew that a softening of property values had been in the works for some time before the Dow focused on it. Yet, somehow the stock market has its own way of burning something into the public's consciousness.

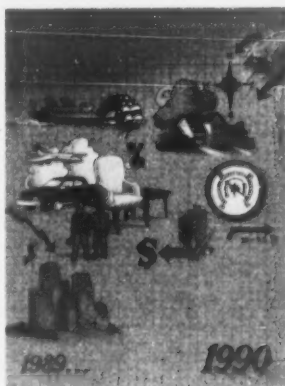
But one-day plunges in the stock market, or moves by regional banks to beef up reserves for non-performing property loans do not accurately portray the outlook for housing in the many different markets around the country. The fact is that even the outlook for the U.S. economy overall obscures local market conditions that can vary as much as night and day.

Keeping that in mind this month's issue offers an article on the regional housing outlook alongside our annual comprehensive economic forecast for interest rates, GNP, inflation and the other key factors that drive the fixed-income securities markets crazy.

One of the big questions on the horizon now of course is are we hovering on the brink of a recession. And then, leave it up to the economists to break down that rather pragmatic question into a more arcane discussion of whether we are headed for a "growth recession" or entering an actual recession-recession. We asked mortgage bankers and housing economists to offer their observations on what a housing recession might mean for the mortgage lending industry and whether we might be in the midst of one already in some parts of the country.

The overall package we put together appears to imply that basic economic conditions for 1990 will favor fixed-rate mortgage lenders—with rates for such mortgages drifting lower into single digits during the year. The thrifts have also been directed to back off steep discounting of ARMS by their regulators and that will be a boon to mortgage lenders trying to compete head on with such aggressive competition. The Federal Reserve under Alan Greenspan also appears a unique ally to mortgage lenders in 1990 because of its delicate mission to produce a soft landing for the weakening U.S. economy. All things considered, it's hard to think of a nicer ally to have in your corner. Happy New Year.


Janet Reilley Hewitt
Editor



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Business and Editorial Offices

1125 15th Street, N.W.
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Advertising (202) 861-6555
Circulation (202) 861-6992

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The outlook for the economy and the housing industry in 1990 looks reasonably favorable. Although economic growth will be slower than in 1989, a recession is not on the horizon.

The inflation problem, which forced the Federal Reserve to tighten its monetary policies during 1988 and early 1989, appears to be improving a bit. Consequently, interest rates are likely to come down somewhat further. This, of course, is good news for the housing industry and for mortgage bankers.

The economy's growth has been slowing. Nonfarm gross national product (GNP) rose 5 1/2 percent in 1987; growth began to slow in 1988, and during the first three quarters of 1989, the annualized growth rate was just 2 1/2 percent. This moderation in the rate of economic expansion is most welcome.

Increases in the labor force and in productivity were both rather moderate at year-end 1989. Those two factors limit the potential long-run growth of our economy to about 2 1/2 percent a year. Growth of GNP at much more than a 2 1/2 percent rate eventually leads to accelerating inflation and higher interest rates, as was the case in 1988 and early 1989.

It takes a while for inflationary pressures to cool once they begin to build. Early in 1987, prices of consumer goods and services—other than food and energy—began to move up faster in response to the economy's strong growth. By the end of 1988, year-over-year increases in these prices were running around 4 3/4 percent, a full percentage point higher than at the start of 1987.

Since early 1989, the rate of consumer price inflation has moderated to between 4 1/4 and 4 1/2 percent. Although this is no great accomplishment, any easing of inflation so soon after an economic slowdown begins

THE OUTLOOK FOR 1990

**The signs look good for 1990.
Mortgage bankers should win
a bigger share of the market
as fixed-rates dip into
single digits.**

Lyle E. Gramley and
Richard W. Peach

is somewhat surprising; it attests to the strength of competitive winds that are currently blowing through the economy.

Reasons for slower growth

The slower growth of the U.S. economy, together with modest improvement on the inflation front, has taken some of the heat out of the financial markets. During 1988, the threat of worsening inflation forced the Federal Reserve to tighten monetary policy, and the interest rate on federal funds rose more than three percentage points between March 1988 and March 1989. Since then, the Fed has eased its policies in several small steps, bringing the funds rate down to

a little below 9 percent as of mid-November. The 30-year Treasury bond yield had come down to below 8 percent, and effective rates on fixed-rate mortgages had fallen close to 10 percent also by that time.

The economy's slower growth stems from developments in a number of major sectors of aggregate demand. Export growth has moderated considerably from the robust pace of late 1987 and the first half of 1988. Our exports are still increasing in response to the economic boom under way in Western Europe and Japan. But the U.S. share of world markets is no longer rising rapidly, as it was a year ago.

In the housing industry, activity has declined considerably during the past several years; total housing starts are about one-fourth below early-1986 levels. Non-financial factors—such as high vacancy rates in apartment buildings, tax reform and weakness in the basic demand for housing because of demographic factors—are the main reasons for declining housing starts. But, of course, it didn't help to have mortgage interest rates rising as they did in late 1988 and early 1989.

As housing activity has declined, so has demand for household durable goods, such as furniture and appliances. Consumer demand for other categories of durable goods also moderated, during the course of the economic expansion, because backlogs of demand have been filled and consumer debt levels have risen relative to income.

Finally, defense spending has been declining since mid-1987, after an extremely strong rise during the early 1980s. Restraints on federal government spending are taking hold, at least in this area of the budget.

A resurgence of activity in any of these sectors would be quite surprising. So, the economy's overall growth should remain fairly tranquil. We believe, as a result, that the problems

of economic overheating that were worrisome in 1987 and 1988 are now over.

Indeed, we see signs of cyclical weakness developing that will probably lead economic growth to slow further in 1990. Business cycles tend to be concentrated in the durable goods industries. New orders for durables began to rise strongly in early 1987, signaling the strengthening of business activity then under way. Although aircraft orders are still high and rising, orders for durable goods, excluding transportation equipment, have remained essentially unchanged since late 1988.

A more decisive indication of developing weakness in the economy is the trend visible by late 1989 in backlogs of unfilled orders for durable goods. After rising strongly from early 1987 to early 1989, these backlogs have begun to decline and are now below the level of a year earlier.

Employment in manufacturing has been declining since last spring. About 150,000 jobs have been lost in the durable goods industries. Job increases in the manufacturing sector spurred growth in consumer incomes and spending power from early 1987 until recently. We believe this recent weakness in manufacturing employment portends slower gains in consumer buying in 1990.

These combined elements of weakness do not imply, however, that the economy will topple into recession—although we can't rule out that possibility. They do suggest a period of very modest growth ahead. We expect economic growth to subside in the first quarter of 1990 and then to pick up a bit over the remainder of the year. If real GNP grows at an average annual rate of $1\frac{1}{2}$ to 2 percent during 1990, as we are forecasting, the rate would be below the economy's $2\frac{1}{2}$ percent growth potential. Consequently, unemployment would increase gradually—from about $5\frac{1}{4}$ percent in late 1989 to a range of $5\frac{1}{4}$ to $5\frac{3}{4}$ percent by late 1990. Increased slack in labor and product markets should help moderate inflation a bit further, but with labor still in short supply, we would be lucky to see inflation come down below 4 percent.

The Federal Reserve already eased

its monetary policies in response to the weaker economic numbers that emerged by late 1989 and the stock market crash on October 13. We believe that further steps toward ease will occur during the first half of 1990. The dollar's present strength should help persuade the Fed that easier policies are appropriate.

Consequently, the chances are good that interest rates will be declining during the first half of 1990. By midyear, the 30-year Treasury bond is expected to be at the lower end of a

Job increases in the manufacturing sector spurred growth in consumer incomes and spending power from early 1987 until recently. We believe this recent weakness in manufacturing employment portends slower gains in consumer buying in 1990.

range from $7\frac{1}{2}$ to 8 percent. Short-term interest rates are also likely to come down, probably somewhat more than long-term rates.

These are rather modest declines in interest rates that we are forecasting. Larger declines could occur if the economy's growth weakens more than we expect early in the year. Any decline in interest rates, however, will be helpful to the housing and mortgage banking industries. Thus, after weathering a few very difficult years, mortgage bankers can look forward to a better year in 1990.

Interest rates peaked lower

With the economy cooling off, and the threat of higher inflation receding, the peak of mortgage interest rates in 1989 occurred at somewhat lower levels than we expected. Effective rates on fixed-rate mortgages (FRMs) peaked at about $11\frac{1}{2}$ percent in late March and then declined to about 10 percent by early August. FRM rates backed up about 50 basis points by the end of August as credit market expectations of an imminent recession and massive easing by the Fed proved

unfounded. But effective rates have since declined to around 10 percent, and prospects are quite good for further reductions in long-term interest rates in the months ahead. We expect FRM rates to decline to $9\frac{1}{4}$ to $9\frac{1}{2}$ percent by mid-1990.

While effective rates on FRMs were about 150 basis points below their previous peak by November of last year, effective rates on ARMs had declined only about 80 basis points by then, narrowing the spread between FRMs and ARMs from nearly 200 basis points in mid-1988 to about 120 basis points. Our analysis suggests that the spread will narrow further, perhaps to an average of just 100 basis points during 1990.

This narrowing of the FRM-ARM spread appears to be caused primarily by a diminution of "suicide" pricing of ARMs by thrift institutions. The movement away from this aggressive pricing posture has changed dramatically the spread between the effective rate on ARMs and the rate on one-year Treasury notes—the most common ARM index. This spread has rocketed from a negative 30 basis points as recently as March to about 140 basis points in the last few months of 1989.

Predictably, the decline of FRM rates and the narrowing of the FRM-ARM spread have reduced consumer preference for ARMs. From a range of 55 to 60 percent during the first quarter of 1989, the ARM share of conventional loans closed declined to 25 percent in September. Thus, the ARM share has returned to the levels that prevailed during the first half of 1987. A modest further decline in the ARM share may occur, particularly if FRM rates decline as expected. However, since these figures were first collected in mid-1982, the ARM share has never dipped below 20 percent. Therefore, an average of 25 percent seems a reasonable forecast for 1990.

Sales of both new and existing homes have responded positively to the decline in mortgage interest rates. From a trough of 3.2 million (annualized) in May 1989, sales of existing single-family homes rose about 13 percent to 3.63 million units in September 1989. This recovery has been particularly strong in the Midwest and South. Resale markets in the Northeast and

CHART 1**MBA Outlook for Housing and Real Estate Financing**

	Actual			Forecast ¹	
	1986	1987	1988	1989	1990
Mortgage interest rates ²					
FRM	10.6%	10.0%	10.4%	10.3%	9.4%
ARM	9.5%	8.5%	8.5%	8.9%	8.4%
Sales of Existing Homes ³					
Single-Family	3,565	3,526	3,594	3,440	3,600
Percent Change	10.9%	-1.1%	1.9%	-4.3%	4.7%
Condo/Coop	332	361	357	370	380
Percent Change	19.0%	8.7%	-1.1%	3.6%	2.7%
Housing Starts ⁴					
Total (in thousands)	1,805	1,621	1,488	1,400	1,470
Percent Change	5.7%	-10.2%	-8.2%	-5.9%	5.0%
1-4 Family (in thousands)	1,263	1,212	1,140	1,080	1,130
Percent Change	8.3%	-4.0%	-5.9%	-5.3%	4.6%
Multifamily (in thousands)	542	409	348	320	340
Percent Change	-5.9%	-24.5%	-14.9%	-8.0%	6.3%
New Single-Family Homes Sales ⁵	748	671	676	670	680
Percent Change	8.7%	-10.3%	0.7%	-0.1%	1.5%
Median Home Prices					
New ⁶	\$92,000	\$104,500	\$112,500	\$120,000	\$127,200
Percent Change	9.1%	13.6%	7.7%	6.7%	6.0%
Existing ⁷	\$80,300	\$85,600	\$89,300	\$92,600	\$96,500
Percent Change	6.4%	6.6%	4.3%	3.7%	4.2%
Total 1-4 Family Mortgage Loan Originations (billions) ⁸	\$455.1	\$449.5	\$374.5	\$390	\$410
Percent Change	87.2%	-1.2%	-16.7%	4.1%	5.1%
Refinancings as a Percent of Total ⁹	39%	35%	19%	22%	20%
ARMs as a Percent of Conventional Loans Closed	31%	43%	60%	40%	25%
Mortgage Bankers Market Share ⁵					
\$s (billions)	\$131.6	\$110.1	\$85.3	\$98	\$110
Percent	28.9%	24.5%	22.8%	25%	27%

¹ Forecasts by MBA's Economics Department.² Effective rates on conventional loans closed. Source of historical data: FHLBB.³ Source of historical data: National Association of Realtors.⁴ Source of historical data: U.S. Department of Commerce.⁵ Source of historical data: HUD.⁶ Historical series and forecast estimated by MBA.⁷ Source of historical data: FHLBB.

West, however, remain somewhat sluggish. The pace of new home sales was quite volatile during the third quarter, but these sales also increased about 13 percent from their previous trough.

Despite the increase in new home sales during the third quarter, one- to four-family starts remained at a subdued level, suggesting that an inventory correction was under way. As starts declined since 1986, builders' inventories of unsold new homes rose until March 1989 when the inventory/sales ratio rose to 68 percent, the highest level since the recession days of 1982. However, the relatively strong sales pace from July through September 1989 brought the inven-

ry/sales ratio down to about 50 percent, a level that has been associated with increasing starts in the past. Indeed, single-family starts rose 7 percent in October.

Inventory correction over

We believe this inventory correction is largely over, and with mortgage interest rates expected to decline further, starts should continue to increase. For all of 1989, one- to four-family starts are likely to total 1.08 million units, down 5 percent from the 1988 level and nearly 15 percent below the 1986 peak for this recovery. While the 1989 level of one- to four-unit starts is expected to be below the 1988 level

in all four regions, the sharpest declines are likely in the Northeast, down 11 percent, and the Midwest, down 7 percent. Smaller declines are expected in the South and West.

For 1990, we anticipate a 5 percent increase in one- to four-unit starts to 1.13 million units, with the West leading the way. In fact, the 1990 level of starts in the West is likely to surpass the 1986 level. The South and Midwest can expect smaller increases, while in the Northeast further declines are likely.

A similar pattern is expected in the resale market. Existing home sales improved further in the fourth quarter, bringing the 1989 total for the entire United States to 3.44 million units—4 percent below the 1988 level. Again, the steepest decline is expected in the Northeast. For 1990, an increase of 5 percent to 3.6 million units is likely, with the strongest gain occurring in the West.

We continue to believe that the improvement in housing activity in 1990 is likely to be relatively modest. One reason is that the real mortgage interest rate—the nominal mortgage rate minus the expected rate at which home prices appreciate—has risen sharply since early 1987 and will remain relatively high in 1990. Except for the West, rates of home price appreciation have slowed substantially. In the South and Midwest, home prices have been increasing on average just 3 to 5 percent per year for the past few years. In the Northeast, where annual rates of appreciation of 25 percent were common in 1987, appreciation has slowed to about 5 percent. Also, the underlying demographic demand for housing has been declining in the second half of the 1980s and will continue to decline for the next two decades. Furthermore, with the rate of economic growth slowing, the pace of job creation and employee relocation in 1990 will be much slower than during the previous three years.

High rental vacancy rates and the removal of tax incentives brought by the Tax Reform Act of 1986 have adversely affected construction of apartment buildings during the past several years. Recently, however, rental vacancy rates have finally begun to decline. In the South, where vacancies rose to more than 11 percent in

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late 1987, that rate is now down to 9½ percent. Similarly, in the West, the rental vacancy rate is down to 7 percent after peaking at around 8½ percent in mid-1988. In the Midwest and Northeast, vacancies peaked at 7 and 5 percent, respectively, and also appeared to be declining during 1989. Market absorption of new units is also improving. The percent of new units occupied within three months has risen to 68 percent from just 60 percent in early 1987.

Multifamily starts will rise

We expect that starts of multifamily units bottomed out in 1989 at about 320,000 units, 8 percent below the 1988 level. The Northeast, Midwest and West all experienced declines in 1989 from 1988. Surprisingly, multifamily starts in the South in 1989 are likely to be up about 4 percent above the 1988 level. This is a reflection of how large and diverse that region is. While the Oil patch states of Texas, Louisiana and Oklahoma are just beginning to emerge from a severe economic downturn, the Atlantic coast states of Maryland, Virginia, North and South Carolina, Georgia and Florida have experienced impressive economic growth during the 1980s.

In 1990, multifamily starts should rise about 6 percent to 340,000 units in response to lower mortgage interest rates and further declines in vacancies. However, it will take a few more years of relatively low production levels to bring this sector back into balance. And during the next decade, from a demographic standpoint, only about 400,000 multifamily units per year will be needed.

Nonresidential real estate has been subject to many of the same tax and economic factors as multifamily housing. This sector was overstimulated by the shortened depreciation periods of the Economic Recovery Tax Act of 1981 and the popularity of pass-through investment vehicles such as limited partnerships. Construction contract awards for commercial and industrial buildings soared after passage of that legislation, rising 80 percent from the fourth quarter of 1982 to a peak of 92 million square feet in the third quarter of 1985. Since then, contract awards have declined

about 20 percent.

Office vacancy rates climbed in response to the high volume of new construction, with suburban office vacancy rates reaching nearly 24 percent in early 1987 and downtown office vacancy rates reaching nearly 17 percent in mid-1986. Although office

But effective rates have since declined to around 10 percent, and prospects are quite good for further reductions in long-term interest rates in the months ahead. We expect FRM rates to decline to 9¼ to 9½ percent by mid-1990.

construction has declined about 20 percent since 1985, vacancy rates have come down only a little, so the outlook for this sector is for further declines in new construction. Fortunately, investment in new retail space, warehouses, hotels and motels and industrial buildings has remained relatively strong.

Overall, the prospects for the mortgage banking industry have improved substantially and look reasonably good for 1990. With both housing sales and refinancings responding to the decline in mortgage interest rates, we expect one- to four-unit originations will total approximately \$390 billion in 1989, up 4 percent from the 1988 level.

With the return to a fixed-rate environment, mortgage bankers' market share also improved. Their market share likely averaged 25 percent in 1989, pushing the industry's origination volume up 15 percent to nearly \$100 billion. Further increases in both total originations and market share are expected during 1990, with an additional 10 percent increase in the industry's origination volume to around \$110 billion. **MB**

Lyle E. Gramley is senior staff vice president and chief economist and Richard W. Peach is staff vice president and deputy chief economist in the MBA Economics Department.

VITAL STATISTICS

INTEREST RATES & YIELDS 1- TO 4-FAMILY MORTGAGES

	FHA OPINION SURVEY	FHLBB			FNMA		FHLMC	
	FHA New Homes ¹	CONVENTIONAL ² FRM	ARM	Median Cost of Funds FSLIC Institutions	1-Yr. ARM	FRM Conv.	ARMs	FRMs
1989								
AUG	9.78%	10.30%	9.56%	8.08%	8.40%	9.95%	8.65%	9.99%
SEP	9.95	10.35	9.62	8.07	8.49	10.03	8.71	10.13
OCT	9.84	10.37	9.52	NA	8.30	9.81	8.62	9.95
NOV	NA	NA	NA	NA	8.13	9.67	8.51	9.77

SELECTED SECURITIES

	FEDERAL FUNDS RATE	PRIME COMMERCIAL PAPER (3-Month)	U.S. GOVERNMENT				A-Rated Utility
			6-Month	1-Year	3-Year	10-Year	
1989							
AUG	8.99%	8.57%	7.74%	8.18%	8.13%	8.11%	9.55%
SEP	9.02	8.70	7.74	8.22	8.26	8.19	9.55
OCT	8.84	8.53	7.62	7.99	8.02	8.01	9.30
NOV	8.55	8.35	7.49	7.77	7.80	7.87	9.28

CURRENT SECONDARY MARKET YIELDS

	GNMA ²	FNMA ²	FHLMC ²	SPREADS (Basis Points)		
				GNMA Minus 10-Yr. Govt.	FNMA Minus 10-Yr. Govt.	FHLMC Minus 10-Yr. Govt.
1989						
AUG	9.49%	9.53%	9.53%	138%	142%	142%
SEP	9.52	9.54	9.53	133	135	134
OCT	9.40	9.42	9.42	139	141	141
NOV	9.26	9.31	9.31	139	144	144

SECONDARY MARKET ACTIVITY (Dollars in Millions)

	FNMA				FHLMC				GNMA	
	Portfolio		Mortgage-Backed Securities		Commit- ments To Sell	Commit- ments To Buy	Mort- gages Par- chased	PCs Issued	Pass-Through Securities	
	Commit- ments	Par- chases	Out- Standing	Issued					Appli- cations	Issued
1989										
JUL	\$2,513	\$2,091	\$200,468	\$5,464	\$5,934	\$6,608	\$5,720	\$5,190	\$4,395	\$4,895
AUG	2,842	2,724	203,923	5,081	7,852	5,705	7,283	8,650	6,161	5,463
SEP	2,328	2,223	208,894	6,883	7,979	7,708	7,880	8,050	5,181	5,740
OCT	2,963	2,267	213,483	6,614	9,148	7,555	7,884	7,058	5,387	5,583
1988 TOTAL	23,435	23,110	---	54,878	41,271	70,669	44,075	39,777	58,578	56,531
1987 TOTAL	25,415	20,591	---	63,230	68,210	76,615	76,840	75,918	116,611	96,983
10 MONTH AVG.										
1989	2,238	1,716	---	5,091	6,721	6,750	6,221	5,786	4,481	4,639
1988	2,080	1,979	---	4,404	3,162	5,341	3,412	3,004	4,848	4,779
1987	1,940	1,549	---	5,415	6,368	7,272	7,060	6,908	10,834	8,760

HOUSING ACTIVITY

RESIDENTIAL STRUCTURES

(Units in Thousands, Seasonally Adjusted Annual Rates)

	BY TYPE OF UNIT						BY REGION							
	HOUSING STARTS			BUILDING PERMITS			HOUSING STARTS				BUILDING PERMITS			
	Total	1-4 Units	5+ Units	Total	1-4 Units	5+ Units	Northeast	Midwest	South	West	Northeast	Midwest	South	West
1989														
JUL	1,420	1,083	337	1,281	979	302	189	274	531	426	160	232	478	411
AUG	1,329	1,046	283	1,328	1,004	324	140	236	563	390	174	263	517	374
SEP	1,268	1,020	248	1,319	1,012	307	166	248	480	374	170	254	509	386
OCT	1,420	1,100	320	1,328	1,017	311	176	289	562	393	169	275	484	400
1988 TOTAL	1,488	1,140	348	1,456	1,070	386	235	274	575	404	230	266	544	416
1987 TOTAL	1,621	1,212	409	1,535	1,114	421	269	298	634	420	272	282	575	406
10 MONTH AVG. (SAAR)														
1989	1,405	1,077	327	1,336	1,009	327	190	270	549	395	185	259	506	387
1988	1,479	1,135	344	1,442	1,062	380	249	267	567	397	238	260	538	407
1987	1,655	1,240	415	1,569	1,136	434	277	312	638	429	277	297	585	412

HOME SALES

(Units in Thousands)

	EXISTING HOMES			NEW HOMES		
	Sold (SAAR)	Avail- able for Sale	Months Supply At Current Sales Rate	Sold (SAAR)	Avail- able for Sale	Months Supply At Current Sales Rate
1989						
JUL	3,330	2,260	8.2	738	369	6.1
AUG	3,480	2,330	8.0	726	365	6.3
SEP	3,520	2,320	7.9	652	366	7.1
OCT	3,520	2,113	7.2	649	364	6.8
1988 TOTAL	3,594	---	---	676	---	---
1987 TOTAL	3,526	---	---	671	---	---
10 MONTH AVG. (SAAR)						
1989	3,425	---	---	655	---	---
1988	3,550	---	---	679	---	---
1987	3,561	---	---	684	---	---

VALUE OF NEW PRIVATE CONSTRUCTION PUT IN PLACE

(Units in Billions of 1982 Dollars,
Seasonally Adjusted Annual Rates)

Total ¹	1-Unit	2+ Units	Nonresidential
\$274.5	\$97.0	\$20.0	\$78.8
274.3	96.4	19.6	81.5
272.2	94.3	19.1	81.0
274.2	95.0	19.3	81.8
281.8	103.5	19.3	77.9
283.0	100.7	22.4	78.2
278.1	99.0	19.9	80.6
280.4	102.9	19.3	77.8
281.8	100.0	22.6	77.5

LENDER ACTIVITY

LONG-TERM MORTGAGE LOANS CLOSED

By Type of Institution and By Type of Unit

(Dollars in Millions)

	1-4 UNITS					5+ UNITS					NONRESIDENTIAL				
	Total*	Mort-gage Bankers	Sav-ings & Loans ¹	Com-mercial Banks	Life Com-panies	Total*	Mort-gage Bankers	Sav-ings & Loans ¹	Com-mercial Banks	Life Com-panies	Total*	Mort-gage Bankers	Sav-ings & Loans ¹	Com-mercial Banks	Life Com-panies
1989															
APR	\$27,890	\$5,530	\$13,233	\$8,730	\$85	\$2,480	\$331	\$1,206	\$366	\$221	\$8,917	\$122	\$1,340	\$5,216	\$2,104
MAY	29,269	5,302	13,270	10,179	132	2,290	286	981	640	166	13,301	186	1,476	8,404	3,094
JUN	29,495	5,477	12,327	11,120	157	2,268	159	971	698	134	13,208	95	1,246	8,773	2,976
JUL	27,273	5,522	10,819	10,390	200	1,733	296	680	407	222	15,597	135	835	12,533	1,967
1988															
TOTAL	374,401	85,307	186,237	95,474	3,190	37,876	4,526	20,379	6,988	3,553	175,754	1,032	22,953	119,942	29,714
1987															
TOTAL	449,544	110,093	208,064	124,551	3,209	44,981	2,409	22,492	8,299	3,547	168,652	2,871	25,613	110,490	28,160
7 MONTH AVG.															
1989	27,466	5,372	12,518	9,075	108	2,396	274	1,169	536	183	11,716	109	1,353	8,048	2,075
1988	29,669	7,057	14,367	7,706	202	2,934	390	1,559	565	277	14,567	61	1,846	10,536	1,908
1987	42,001	11,088	18,575	11,747	318	4,221	209	1,859	836	266	12,902	307	2,048	8,575	1,885

MORTGAGE INSURANCE

(Units in Thousands, Dollars in Millions)

	APPLICATIONS RECEIVED (Units)				LOANS INSURED							
	TOTAL	FHA*	VA	PRIVATE	TOTAL		FHA		VA		PRIVATE	
					Units	Amount	Units	Amount	Units	Amount	Units	Amount
1989												
JUL	153	92	14	47	94	\$7,411	48	\$3,060	13	\$985	33	\$3,366
AUG	177	110	18	49	105	8,208	55	3,511	14	1,102	35	3,596
SEP	147	85	16	46	116	8,981	68	4,326	13	1,033	35	3,622
OCT	151	86	19	46	126	9,619	75	4,790	16	1,217	35	3,612
1988 TOTAL	1,755	949	211	595	1,334	98,012	699	42,577	211	15,771	424	39,664
1987 TOTAL	2,340	1,211	408	721	2,282	159,668	1,320	81,881	451	33,312	511	44,475
10 MONTH AVG.												
1989	144	85	16	43	104	7,908	50	3,702	15	1,153	30	3,053
1988	151	82	18	51	114	8,316	60	3,654	18	1,307	36	3,355
1987	211	111	37	63	203	14,179	119	7,380	40	2,992	44	3,807

NA—Not Available; SAAR—Seasonally Adjusted Annual Rate

¹Secondary market gross yields. Numbers shown for each month are the average of yields from the first day of the month shown and the first day of the subsequent month.

²Effective rate on loans closed.

³Securities for 0- to 30-day delivery.

⁴In addition to the categories of private construction shown, the total also includes these categories: residential improvements, railroads, electric light and power, gas, telephone and telegraph, petroleum pipelines, and farm nonresidential.

⁵In addition to the categories shown, the total also includes private pension funds, private MBS conduits, state and local retirement funds, federal credit agencies, mortgage pools, and state and local investment agencies.

⁶Savings & Loans and Mutual Savings Banks.

⁷FHA applications received includes the Direct Endorsement Program.